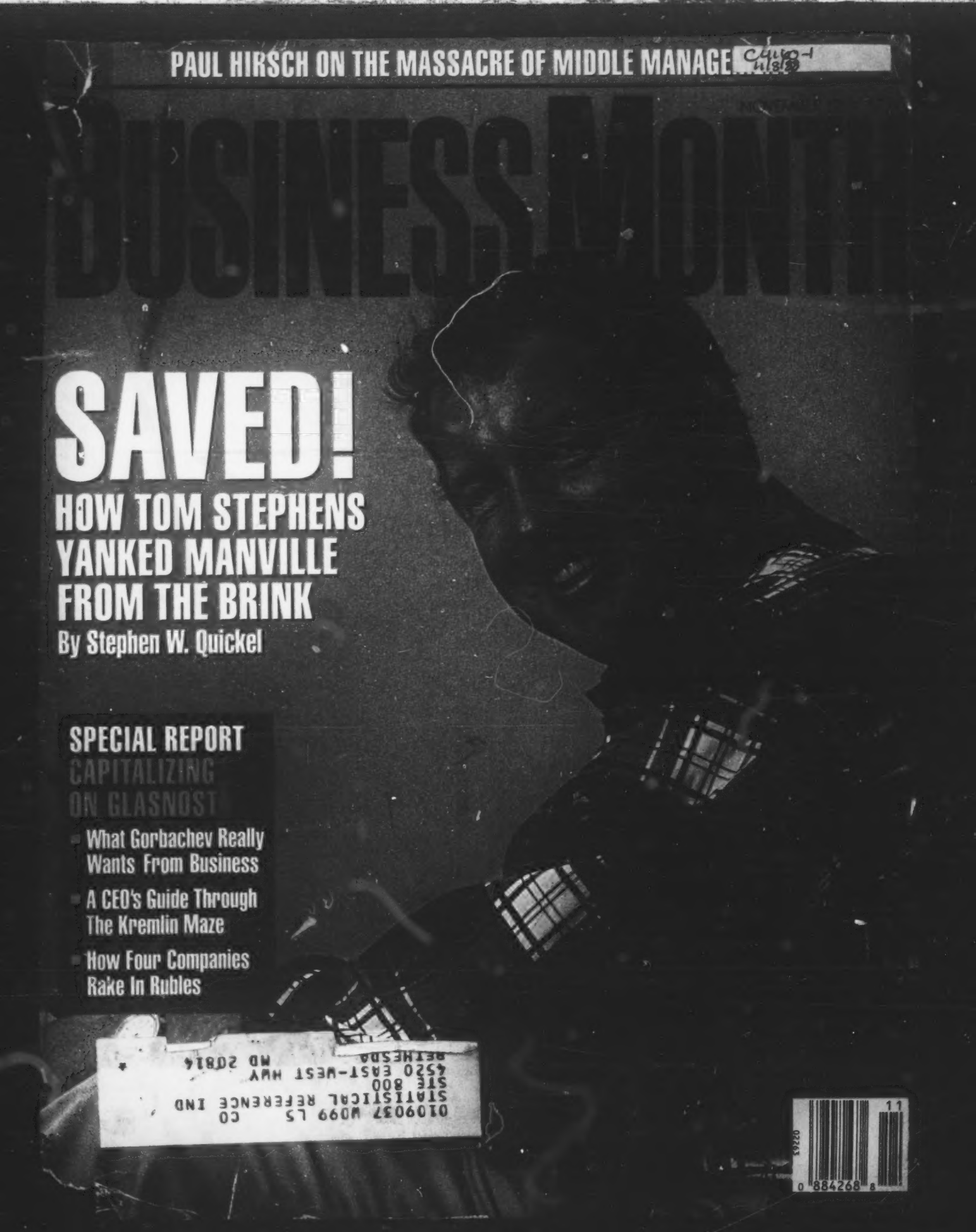
PAUL HIRSCH ON THE MASSACRE OF MIDDLE MANAGE

BUSINESS MONTH

SAVED!

HOW TOM STEPHENS YANKED MANVILLE FROM THE BRINK

By Stephen W. Quickel



SPECIAL REPORT
CAPITALIZING ON GLASNOST

- What Gorbachev Really Wants From Business
- A CEO's Guide Through The Kremlin Maze
- How Four Companies Rake In Rubles

01090137 W099 LS CO
STATISTICAL REFERENCE IND
STE 800
4520 EAST-WEST HWY
BETHESDA MD 20814

11
02263
0 884268 8

BUSINESS MONTH

NOVEMBER 1988

COVER STORY

TRIUMPH OF WILE *By Stephen W. Quickel* 28
Asbetos and a stubborn CEO nearly sank Manville corporation. The tale of its comeback offers a valuable lesson for companies in crises.

FEATURES

THE MANAGEMENT PURGES *By Paul Hirsch* 38
By wiping out so many mid-level executive jobs, the restructuring of corporate America threatens the future of U.S. industry.

SPECIAL REPORT: CAPITALIZING ON GLASNOST

TO RUSSIA, WITH CASH *By Marshall I. Goldman* 44
Gorbachev's reforms may mean grand opportunities for American business. But don't count your rubles yet.

NEGOTIATING THE KREMLIN MAZE *By Patricia A. Dreyfus* 55
A chief executive's guide, sort of, to the Soviet bureaucracy.

IN THE LAND OF ROBOTS *By Frederik L. Schodt* 67
At Japan's incredible factory of the future, only the machines work overtime.

DEPARTMENTS

FROM THE EDITOR IN CHIEF 4
The fury over Japanese management.

LETTERS 6
Two views of Lorenzo; what's the lucky number; more tales from the home front.

THE ECONOMY/GEORGE J. STIGLER 8
The paternalistic state versus the risk takers.

PERSPECTIVE 11
Where have all the Reaganauts gone; Bentley's sports-car limo: Born to run; Texas to Japan: Here's the beef; Wall Street to the Feds: talk, talk and more talk.

AROUND THE WORLD 19
Those nice British unions; Asia opens up; Europe's South Korea.

Q&A/HAROLD BROWN 97
A former Secretary of Defense tells how to really revamp Pentagon procurement systems.

CORPORATE FINANCE 103
A victory for the accountants; money magic in the kingdom; five CFOs predict the future.

SPEAKING OUT/SAM L. GINN 107
What America needs now is a better telecommunications policy. Make that *any* telecommunications policy.

LEONARD SILK 109
Everybody knows that corporate social responsibility is good business—isn't it?

COVER PHOTOGRAPH BY ROB KINMONTH

FROM THE EDITOR IN CHIEF

In long-term terms, an article that appeared in the September issue of BUSINESS MONTH has clearly caught the anguished attention of executives who have joined, are joining or are thinking about joining forces with Japanese corporations in the United States.

The article, "A Matter of Control," by Leah Nathans, Senior Writer, reported the extraordinary difficulties American managers working for Japanese subsidiaries have in actually running their operations. The fact is that many of them do not run the U.S. side; Japanese do. It is the puppet syndrome. Most Japanese companies, as described in the article, have a kind of shadow government operating in Tokyo that makes the key decisions on product, salaries, marketing—the stuff, quite clearly, of management. Lawsuits abound, instituted by American managers fed up with what they charge are broken contracts, broken promises, broken pledges and shattered careers.

So that was the Nathans story. Strong, carefully reported, fair.

Then, whammo!

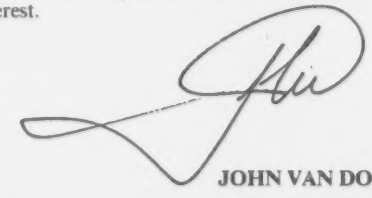
The phone calls started coming to reporters, editors and others in the BUSINESS MONTH camp—not from outraged executives but from executives who wanted to say, in various ways and tones, "Write on." Each in his or her way described yet another lawsuit against a Japanese firm, another serious undermining of authority by overseas owners. This from a manager at Panasonic, whose name we have agreed to withhold: "It [the story] was tearfully and painfully accurate. It spoke for thousands of executives who are in the same situation. I could identify with every little nuance. I've really trashed my career, I've lost my self-respect and dignity. . . . Americans are being used as fronts, as industrial spies, as information processors."

Another caller was Cyrus J. Keefer, a former manager with Mitsui & Company Finance Inc. who has filed suit against the firm, which fired him, he says, after he had successfully built an in-house finance company. The article, he said, "sounds like the same thing that happened to me."

As Japanese companies continue their invasion of North America, there obviously are and will continue to be cultural and professional flash points. They don't do things as Americans do, we all know that. Adjustments have to be made, on both sides, but perhaps a greater willingness to give must be exhibited on the American side. After all, in most of the examples offered, the Japanese own the store. They get to make the rules.

Yet the matter of give must also find its way into the language of the Japanese corporate world. So must trust and confidence. Despite such exceptions as the excellent Murata Business Systems and its Dallas-based American CEO, R. Michael Franz—who seems to have a miraculously autonomous relationship with the parent company in Kyoto—serious division and misunderstanding are more the rule.

Globalization is upon us. The speed of its arrival and implementation has in some ways dug up the road. On both sides there must now be a readiness to take the time to fill in the potholes, to smell the asphalt. We will be following with interest.



JOHN VAN DOORN

BUSINESS MONTH

EDITOR IN CHIEF: JOHN VAN DOORN

DEPUTY EDITOR: NILES A. HOWARD
EXECUTIVE EDITORS: GERALD R. ROSEN, NANCY F. SMITH
MANAGING EDITOR: CAROL LEVY
ART DIRECTOR: CYNTHIA FRIEDMAN
SENIOR EDITORS: TONY CHEMASI, LINDA M. PERNEY
SENIOR WRITER: LEAH NATHANS
CONTRIBUTING EDITORS: DANIEL J. FORBES, FRED V. GUTERL, HOPE LAMPERT, NORMAN MACRAE, CHRISTY MARSHALL, STEPHEN W. QUICKEL, A.H. RASKIN, LEONARD SILK, ROBERT M. SOLOW, GEORGE J. STIGLER, JAMES TRAUB
PHOTO EDITOR: LAURA W. BROADDUS
COPY CHIEF: SUSAN MAIER
COPY EDITOR: TOM CRIPPEN
ASSOCIATE EDITOR: FRED F. JESPERSEN
SPECIAL CORRESPONDENT: LAUREL BRUBAKER CALKINS (Houston)
REPORTERS: DIEDRÉ CHANCE, PAMELA KOFFLER, MATTHEW SCHWARTZ
ASSISTANT ART DIRECTOR: JENNIFER COON
PRODUCTION MANAGER: LORI IACCINO
EDITORIAL PRODUCTION MANAGER: JOSEPH MANGHISE
EDITORIAL ASSISTANTS: LISA FICKENSCHER, M. PAIGE FILLION, EMILY PARZIALE

PRESIDENT AND PUBLISHER: STEPHEN M. BLACKER

DIRECTOR OF CIRCULATION: ROBERT LAPOINTE
BUSINESS MANAGER: BARI S. EDWARDS
REPRINTS MANAGER: CARLA BARROS
(For reprints and permissions, call 617-227-4700)
SUBSCRIPTION SERVICES:
488 Madison Avenue, New York, N.Y. 10022
212-326-2600
RESEARCH DIRECTOR: MATTHEW PASS
RESEARCH MANAGER: RANDALL HANSEN
MARKETING DIRECTOR: SUSAN POWELL MARCUS

ASSOCIATE PUBLISHER/ADVERTISING DIRECTOR:
JAY C. MACDONALD
REGIONAL ADVERTISING SALES:
NEW YORK REGIONAL MANAGERS: CLIFFORD B. BENJAMIN, MICHAEL BENNIS, JONATHAN CHALON, JANET HAIRE, PERRI KOGGAN, JEANNIE McGUIRE
488 Madison Avenue, New York, N.Y. 10022
212-326-2600
BOSTON REGIONAL MANAGER: HERB MOTLEY
38 Commercial Wharf, Boston, Ma. 02110
617-227-4700
CHICAGO REGIONAL MANAGERS: RICHARD C. OFSTUN, MOLLY OTTOLINI
35 East Wacker Drive, Chicago, Ill. 60601
312-368-4511
DETROIT ADVERTISING DIRECTOR: STEVE FLEMION
3190 Rochester Road, Troy, Mich. 48083
313-528-2710
WEST COAST ADVERTISING DIRECTOR: J. SCOTT CRYSTAL
5839 Green Valley Circle, Suite 200,
Culver City, Calif. 90230
213-670-0092

BUSINESS MONTH, Publication Number (ISSN: 0892-4090), NOVEMBER 1988, Vol. 132, No. 4. Copyright © 1988 by BUSINESS MONTH Corporation. All rights reserved. Editorial and advertising offices at: 488 Madison Avenue, New York, NY 10022. Telex 592-379. Tel. 212-326-2600. Subscription rate for U.S. and possessions, 12 issues for $24; foreign airmail, $90. Please state title and company when subscribing. Publisher reserves the right to refuse nonqualified controlled subscriptions. POSTMASTER: Send address changes and all mail to: BUSINESS MONTH, 488 Madison Avenue, New York, NY 10022. In case of change of address, enclose a copy of old address label from a recent issue. Second class postage paid at New York, N.Y., and at additional mailing offices. The contents of this publication may not be stored or reproduced in any form without consent of copyright owner. Requests for permission should be directed to: Permissions Manager, BUSINESS MONTH, 38 Commercial Wharf, Boston, MA 02110. Tel. 617-227-4700. BUSINESS MONTH™ is a registered trademark of BUSINESS MONTH Corporation. Printed in U.S.A.

MEMBER AUDIT BUREAU OF CIRCULATIONS
Published monthly except July and August by:
BUSINESS MONTH Corporation

NORA FELLER

Glitches and Snitches: A Wall Street Update

THE DOMINOES ARE STILL FALLING on Wall Street. Michael Milken and his firm, Drexel Burnham Lambert, are only the latest biggies to be charged by the Securities and Exchange Commission with irregular trading practices. Just as Dennis Levine fingered his pal Ivan Boesky, so Boesky rolled over and gave Milken to the SEC. Whether the Junk Bond King's next forwarding address will be a minimum security prison depends on the success of any criminal prosecution, so far not forthcoming. But if the SEC's civil suit is successful, expect it to get very expensive for everyone involved.

It should be noted that although this fight has been billed as Milken versus Boesky, Ivan and the SEC may have more help in their corner than was first realized. Three men who pleaded guilty to insider-trading-related offenses back in early 1987 still have not been sentenced 18 months later. And papers filed with the United States District Court in Manhattan indicate that they are cooperating with the prosecutors. Martin A. Siegel, an investment banker at Drexel Burnham Lambert, pleaded guilty to tax evasion and passing inside information; Michael Davidoff, head trader for Ivan Boesky, to stock parking; and Boyd L. Jefferies, head of a brokerage bearing his name, to market manipulation and stock parking. One of the stocks Jefferies allegedly parked for Boesky was Phillips Petroleum, a transaction that is listed in the SEC complaint against Milken and Drexel.

. . . Ivan Boesky?

Three others are rumored to have been given immunity for their testimony in this case. David Jachimczyk was a record keeper who worked under Davidoff; Charles Thurnher was an accountant for Milken; and Setrag Mooradian was an accountant for Boesky. Thurnher and Mooradian worked out the mechanics of a $5.3 million "consulting fee" that was allegedly an illegal payment from Boesky to Drexel. Jachimczyk is thought to have kept a secret record of the transaction.

To help you sort out the contenders and get you through the next round, we offer an updated scorecard for the Wall Street scandals.

—*FRED F. JESPERSEN*

Michael Milken versus . . .

Name	Occupation	Alleged Illegal Profits (in millions)	Payback To SEC (in millions)	Fines	Prison Time
MAIN PLAYERS					
Dennis Levine	Investment Banker, Drexel Burnham Lambert	$12.6	$11.6	$326,000	2 years
Ivan Boesky	Arbitrager	$50	$50	$50 mil.	3 years
Stephen Wang (& Fred Lee)*	Analyst, Morgan Stanley	$19	?	?	?
Israel Grossman (& family)*	Lawyer	$1.5	0	$25,000	2 years
R. Foster Winans (& friends)*	Columnist, *The Wall Street Journal*	$.9	0	$5,000	18 months
Paul Thayer (& friends)*	Deputy Secretary of Defense	$1.9	$1	$5,000	4 years
IN THE WINGS					
Michael Milken	Head of Junk Bond Dept., Drexel Burnham Lambert	?	?	?	?
Martin A. Siegel	Investment Banker, Drexel Burnham Lambert	$9	$9	?	?
Michael Davidoff	Head Trader for Ivan Boesky	?	?	?	?
Boyd L. Jefferies	Chairman, Jefferies Group	?	?	?	?
Charles Thurnher	Accountant for Michael Milken	?	?	?	Immunity
Setrag Mooradian	Accountant for Ivan Boesky	?	?	?	Immunity
David Jachimczyk	Record Keeper for Ivan Boesky	?	?	?	Immunity

*In these cases, the first party supplied the information, the second party made the profits.

grand larceny; tried; acquitted in May 1987; resumed position as president of Schiavone Construction Company in Secaucus, New Jersey.

MARGARET M. HECKLER, 57, Secretary of Health and Human Services (1983-1985); Ambassador to Ireland.

ELIZABETH H. DOLE, 52, Secretary of Transportation (1983-1987); full-time campaigner for Republican candidates; popular speaker (Fee: $18,000 plus first-class expenses for two).

WILLIAM BENNETT, 45, Secretary of Education (1985-1988); founder, with Professor Allan Bloom, of the Madison Center, a think tank concerned with education issues; lecturer (Fee: $15,000).

—*K.F.G.*

Of Pork Barrels And Lame Ducks

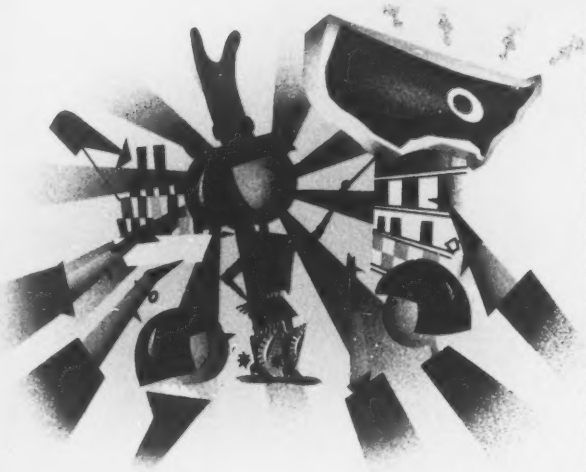
WITH RONALD REAGAN's presidency entering its final days, what better time to look back and see exactly who has fared best after eight years of Reaganomics. Based on two recent studies, the news is good if you are a Northeastern corporate executive and bad if you are a poor Southern day laborer.

The first study, by the U.S. Bureau of Economic Analysis, finds that Reagan's high-tech defense buildup paid off in spades for several areas of the nation. Of the 10 states that scored the greatest rise in per capita income, eight were in the Northeast or the Middle Atlantic seaboard and another was California—areas that are chockablock with defense contractors. "The defense buildup was the force that drove the expansion," says Rudolph E. DePass, a regional economist for the bureau. "States that had these businesses grew more rapidly than those that didn't."

Southeastern and Mountain West states, for example, whose low-tech industries (such as textiles) were increasingly ceded to overseas manufacturers, fell farther behind the pack. And oil-dependent states took a beating from OPEC as the Reagan administration pursued its free-trade policies. Per capita income in these areas sank to less than 80 percent of the national average.

The second study, by the management consulting firm of Towers, Perrin, Forster and Crosby, takes regional differences out of the equation and concentrates on how various classes of people fared. In 1987, the median total cash compensation for the CEOs of America's largest industrial companies passed $1 million for the first time, rising by 13 percent to $1,087,500. This represents nearly five times

BOESKY: MARIO RUIZ/PICTURE GROUP; MILKEN: TERRY ASHE/SYGMA



TERRY ALLEN

the 2.5 percent increase the average American worker received during the same year.

Furthermore, the survey's authors point out that their figures probably understate the compensation gap between U.S. executives and workers, since the equation they used didn't take into account the drop in tax rates from 70 percent to 28 percent for those at the top of the ladder while tax rates at the bottom stayed roughly the same. As a result, purchasing power rose dramatically for upper-income Americans and was pushed down by inflation for lower-income workers. —*L.B.C.*

In Japan, Beef Isn't All Kobe

THE U.S. TRADE DEFICIT with Japan was stampeding past $30 billion at the end of July when a Houston beef company wedged open a small but significant crack in Japanese import barriers. Granada Foods Corporation made an end run around Japan's notoriously slow-moving trade officials and initiated sales contacts directly with beef buyers and restaurateurs. As a result, its premium Texas beefsteaks are now prominently featured by name in more than 300 Japanese grocery-store meat departments and on more than 100 restaurant menus. Granada's Japanese sales in the second half of 1988 are expected to jump to four times the million-dollar level the company wrapped up in the first six months. How did Granada do it? Good old American salesmanship and just a touch of good timing.

Japan manages to keep imports out of the country through a variety of ruses. Among the most efficient are the infamous trading companies, which serve as the middlemen between American suppliers and Japanese consumers. It's here that Granada made its innovative move. "We decided to take a chance and do things a little differently," says John Bellinger, vice president of sales. "We went directly to the buyers."

The sales force wined and dined potential clients, set up special seminars and hired Japanese women to dress up in cowboy duds and pass out sizzling steak samples in Tokyo supermarkets. By the end of this year, the company will even eliminate some retailers from the sales loop when Japan's number-two television station begins carrying the company's meat-by-mail commercials. The ads are designed to spur beef-eating Japanese to order their steaks directly via Oriental express.

Granada did benefit from two lucky coincidences. Instead of being put off by the typical Western sales banter, Japan's shy, self-effacing retailers turned out to be flattered by the full-scale American assault. Also, Japan began liberalizing its protectionist trade laws at precisely the right moment, effectively doubling the country's imported beef quotas just as the sales teams moved in to seal their deals. By the time Japan's import restrictions on beef are phased out completely in 1991, Granada expects yearly sales to top $35 million. Clearly a bright spot in Houston's dismal economic climate.

—*L.B.C.*

(PSSST—Here Are The Big Debtors)

SINCE LEVERAGED buyouts and mergers and acquisitions have changed the way the business world looks at debt, we thought it might be interesting to find out which companies owe the most—long-term—and how big their debts are. In absolute numbers, they are very big. General Motors, for example, has $17.2 billion in long-term debt, which easily tops Peru's $15.3 billion, and GTE edges out Ecuador, $9.6 billion to $9.1 billion. Overall, corporations issued a net of $280 billion in debt from 1984 to 1987, which is more than the total debts of Mexico and Brazil combined at the end of 1987. The debt-to-the-market-value-of-equity ratio for nonfinancial companies is less startling, however, having risen from 32 percent in 1980 to only 38 percent in 1988, according to Salomon Brothers. So what does it all mean? Not a lot until the economy takes a nosedive and rising interest costs squeeze the bottom line. Then the big borrowers may have to pay the piper for living on more borrowed money than ever. —*L.N.*

I OWE, I OWE, SO OFF TO WORK I GO

COMPANY	LONG-TERM DEBT First Quarter 1988 (in billions)	SHAREHOLDER EQUITY First Quarter 1988 (in billions)
General Motors	$17.2	$33.4
Mitsui	$11.0†	$ 2.3†
Sears, Roebuck & Company	$ 9.8	$13.7
GTE	$ 9.6	$ 9.4
British Petroleum	$ 8.4	$21.0
USX	$ 7.7	$ 4.7
Eastman Kodak	$ 7.5	$ 6.1
American Telephone & Telegraph	$ 7.3*	$10.6*
BellSouth	$ 7.0*	$12.9*
Mobil	$ 6.9	$16.8†
Occidental Petroleum	$ 6.3	$ 5.2
NYNEX	$ 6.3*	$ 9.1*
Tenneco	$ 6.2	$ 3.7
Chevron	$ 6.1	$14.3
British Telecommunicat.	$ 6.0†	$12.5†
Royal Dutch/Shell Grou	$ 5.9	$45.8
Atlantic Richfield	$ 5.7	$ 6.1
BCE	$ 5.6	$ 4.6
Santa Fe Southern Pacific	$ 5.6	$ .9
Pacific Telesis Group	$ 5.5*	$ 8.0*

†As of fourth quarter 1987 *As of second quarter 1988

TO RUSSIA, WITH CASH

Gorbachev's reforms are creating plenty of investment opportunities. Profits are another matter.

BY MARSHALL I. GOLDMAN

If, five years ago, Americans had fantasized about the kind of leader they would like to see take over the Soviet Union, few would have imagined one who would call for a secret election, the release of political prisoners, the withdrawal of troops from Afghanistan and the destruction of nuclear warheads on short- and medium-range missiles. Likewise, few could have foreseen a leader who would criticize central planning and collectivization or authorize the formation of joint ventures with foreign partners. In short, no one would have predicted the rise of Mikhail S. Gorbachev.

In calling for the restructuring of the economy and attempting to change the way the Soviets conduct foreign trade, Gorbachev has opened up opportunities for Western corporations. By abolishing the monolithic Ministry of Foreign Trade and allowing the creation of joint ventures, he has eased their way into the Soviet Union. But there are stumbling blocks. Under the new laws, foreign partners will remain minority partners. Profits made in the Soviet Union will largely stay in the Soviet Union. The inconvertibility of the ruble presents its own set of problems, and it is unlikely that the Soviets will move to make the currency convertible at any time in the near future. In such a situation, investments made now are investments made for the long term.

Marshall I. Goldman, associate director of the Russian Research Center at Harvard University and a professor of economics at Wellesley College, is the author of Gorbachev's Challenge: Economic Reform in the Age of High Technology.

And there is another sobering fact: Despite the glamour of *glasnost*, U.S.-Soviet trade remains limited. In 1986, Soviet imports were the lowest they have been since 1978. In 1987, American exports to the USSR amounted to only about 0.6 percent of total exports, and, depending on the Soviet harvests, grain exports traditionally have accounted for one-third to two-thirds of total trade.

Still, Soviet demand for imported technology and consumer goods, combined with the shortage of foreign exchange, creates an opportunity for U.S. capitalists who can find ways to maneuver within the constraints of the Soviet system.

At first, there was little reason to expect that Gorbachev would behave much differently than his predecessors had. There were hints that he would be a more disciplined leader, but it was expected that he would hold to the old ways of doing things. Indeed, there was nothing unusual in his behavior during at least the first year and a half of his administration.

But economic conditions were much more serious than he had been led to believe. The pace of industrial growth had fallen sharply from the double-digit rates of the 1930s and 1950s. Some Soviet economists even began to insist that the gross national product had actually declined in recent years. This was reflected by the drop in the production of steel and machine tools in the early 1980s.

Equally distressing, the Soviet Union had not been sharing in the high-technology revolution. If anything, its high-tech products seemed to have fallen farther behind those being produced not only in the United States and Japan, but in Taiwan and South Korea. After a time, Gorbachev himself began to complain that under Leonid Brezhnev, the Soviet Union's economy had fallen into a "pre-crisis condition." Indeed, the Brezhnev years are now officially referred to as "the era of stagnation."

The cause of that stagnation, as Gorbachev now explains it, was the Soviet economy itself. While central planning, the collectivization of agriculture and close control of foreign trade by the Ministry of Foreign Trade may have served the Soviet Union well in an earlier age, today these institutions have become a brake on mod-

Pepsi generation: workers at a bottling plant in the Soviet Union. To avoid problems in converting currency, PepsiCo swaps syrup for Soviet vodka.

ernization and growth. The tight control and decision making, along with the target setting imposed by Gosplan, the industrial ministries and the Ministry of Finance served to quash the incentives and the initiative of the Soviet work force.

Agriculture was afflicted by the same malaise. Even when harvests increased, distribution was so convoluted that much of what was produced never made its way to the consumer. As a result of poor storage and shipping and, on occasion, willful destruction, more than 20 percent of the yearly harvests rotted in the fields.

After due consideration, Gorbachev and his advisers came to realize that if the Soviet economy were to catch up to what was happening in the capitalist world, or, for that matter, if it merely sought to prevent the gap from widening, it would have to undo almost every policy that the Soviets had taken such pride in before.

The success or failure of Gorbachev's economic reforms will be determined by the way Soviet bureaucrats, managers, laborers and farm workers respond to the opportunities he has opened up in the domestic economy. So far, the results have not been encouraging. Some of the more outspoken Soviet reformers are complaining that after three and a half years of power, Gorbachev has little to show for his efforts. Food—particularly meat—is as scarce as ever. In addition, sugar is now rationed in many cities. There is a lot of

new, frank talk but little action. If Gorbachev cannot produce results—and soon—he may not be in charge for long. If he is removed, many of his proposals are likely to be retired as well.

But it is the changes that Gorbachev has made in foreign trade—and the implications they have for foreign business—that most interest corporate America. In August 1986 it was announced that foreigners would again be allowed to participate in joint ventures inside the Soviet Union. There had been none since Stalin prohibited them in the late 1930s. The new rules do not open the door all the way, however. Foreign partners may hold no more than 49 percent of the stock in any joint venture. By restricting foreigners to minority ownership, the Soviets have continued to reflect their ideological bias about allowing capitalists to become too influential. However, the fact that they are again allowing in foreign corporations is a recognition that the previous way of transferring technology was a failure.

The system that was once praised because it insulated the Soviet economy from the often artificial fluctuations of capitalist markets is now being criticized. While it brought the Soviet Union an occasional windfall—in that officials could play potential sellers off against each other by claiming that one supplier's bid was higher than a competitor's—it also served to make the USSR the world's most protected economy. As a result, Soviet industry has been spared the need to face up to competition in the world marketplace and has lagged far behind capitalist countries in industrial technology and in the quality of its products.

The Soviets have also come to understand that the secrecy they gained by separating foreign export suppliers from consumers was more than offset by the Soviet users' inability to obtain the type of after-installation service available to most consumers outside the Soviet Union. This has contributed to a much higher "down time" in the Soviet Union.

Further, while they often managed to buy at very low prices, Soviet negotiators more often than not got what they paid for, not what was most appropriate for the user. Since all purchases were made by the Ministry of Foreign Trade and negotiators were judged by whether or not they could buy at low prices, they generally chose products because they were cheaper—not necessarily because they were sophisticated. And, because every import and export had to be funneled through the ministry bottleneck, negotiations tended to take two or three times as long as negotiations for similar goods in capitalist countries.

One of Gorbachev's first steps in dismantling this clumsy apparatus was to end the ministry's monopoly, and, as a consequence, allow individual ministries and industrial enterprises to import and export directly. In early 1988, the government made the decision to abolish the Ministry of Foreign Trade altogether. However, that decision was so abrupt that there was no time to prepare managers for their new responsibilities, and the result was confusion. One of Gorbachev's advisers, Abel Aganbegian, regarded the whole episode as a disastrous mistake.

There are other barriers preventing an upsurge in foreign economic activity. One problem is the inconvertibility of the ruble.

NOT KNOWING THE RUBLE'S WORTH, THE SOVIETS ARE NOT SURE WHICH EXPORTS ARE PROFITABLE.

Because they do not know how many dollars a ruble should be worth, Soviet planners have difficulty determining what is or isn't profitable to export and import. Nor are they helped by the fact that they must use 3,000 different rates of exchange to make their calculations.

Even more important is the perennial shortage of convertible currencies. Other than petroleum and gas, there is little the Soviets have that hard-currency importers want. If the ruble is to become convertible, the Soviets will have to find other products to export, and that means not only improving the quality of what they produce but facilitating the way they market it. Unlike Americans, who seem relatively unconcerned about a massive balance-of-trade deficit and an equally large foreign-trade debt, the Soviets tend to be cautious and conservative and, in the past, they have curbed their imports when their export earnings have fallen.

During the Brezhnev years, part of the justification for spending hard currency on imported technology—often in the form of turnkey factories, in which foreign suppliers were forbidden to hold an equity share—was the expectation that once the technology was available, it would be easy to copy and upgrade. More often than not, though, technicians weren't able to operate new facilities at full capacity. Once produced, imported technology was rarely upgraded; it was a challenge merely to sustain initial performance levels.

The Soviets expected, for example, that the Fiat-built plant at Togliatti would also serve as a training center for other Soviet factory managers, and that after a few years local engineers would be able to upgrade the factory. But when the time came to make a model change, there had been almost no diffusion or development of management and engineering skills. The Soviets, as before, had to turn to the West for help. They went to Porsche to design the new model and back to Fiat to provide the up-to-date machinery.

By deciding to involve foreign companies in joint ventures, the Soviets assume that their partners will help them upgrade their operations. Much the same reasoning lies behind the decision to seek membership in the General Agreement on Tariffs and Trade, the International Monetary Fund and the World Bank.

Despite the difficulties, there are ways to maneuver within the system. Occidental Petroleum, for example, sells superphosphoric acid and buys Soviet ammonia. Other companies have constructed barter or swap arrangements. PepsiCo trades its syrup for their Stolichnaya vodka. The trick for the foreign partner is to find something that is readily available in the outside world and trade it for something the Soviets haven't already thought of importing. Given the relatively low quality of their industrial output, that isn't easy but it's not impossible.

Another approach is to enter a joint venture for the production of equipment that will help the Soviets exploit their raw materials. Combustion Engineering and Honeywell, for example, are both making process-control equipment that has increased the output of Soviet petroleum and fertilizer products. As a reward, Combustion Engineering will receive approximately 20 percent of the increase in output, which the company can then export.

In an elaborate version of this barter arrangement, a group of some of the larger American companies—including Chevron, Ford and RJR Nabisco—have formed a consortium. Although officials at Chevron say their petroleum exports will not be shared with the other members, the underlying rationale for the creation of such a consortium is that the group's exports will help finance imports by allowing

WHO'S DOING DEALS

Despite a breakthrough trade agreement in 1972, commercial relations between the United States and the Soviet Union have hardly been steadfast. Now the trend is up, though it's no boom. For instance, since January 1987 only about a dozen joint-venture agreements have been signed. Here are the most notable deals in the post-cold war era:

COMPANY	YEAR	DESCRIPTION	REVENUES TO U.S. COMPANY (EST.)
PEPSICO	1972	A breakthrough deal: The Soviets produce and sell Pepsi-Cola, and in exchange PepsiCo gets Stolichnaya vodka. Pepsi becomes the first foreign consumer product to reach Soviet markets.	$750 million to date
OCCIDENTAL PETROLEUM	1973	Twenty-year contract to supply phosphates and ammonia to Soviet fertilizer factories. A deal unrivaled in size that was seen as heralding a new era in U.S.-USSR trade.	$20 billion by 1993
ALLIS-CHALMERS	1973	First of two agreements to build an iron-ore pelletizing plant in the Soviet Union.	$90-$100 million for both
INTERNATIONAL HARVESTER	1974	Sale of tractors for construction of the Trans-Siberian pipeline.	$100 million
GOULD	1975	Sale of equipment and technology to build a factory to produce heavy-duty engine bearings.	$47 million
MARINE RESOURCES INTERNATIONAL	1976	A highly unusual pre-*glasnost* joint venture: Seafood caught by Americans and processed by Russians is sold inside the Soviet Union, with the profits split 50-50.	$400 million through 1987
DRESSER INDUSTRIES	1978	Contract to build a drilling-bit plant to serve the oil industry.	More than $100 million
CATERPILLAR	1985	Sale of tractors and pipelayers.	$100 million
ROMA FOOD ENTERPRISES	1987	Joint venture to open 25 Italian restaurants in the Soviet Union by 1993.	$49 million a year
COMBUSTION ENGINEERING	1988	A consortium led by CE will build two of the world's largest petrochemical complexes—approximately 40 plants—in Siberia by 1995. Agreement must still be signed.	$20 billion for partners
OCCIDENTAL PETROLEUM	1988	In a joint-venture deal still to be signed, Occidental is to lead a consortium that will build and operate a petrochemical complex near the Caspian Sea.	$6 billion for venture partners (for construction)
OCCIDENTAL PETROLEUM	1988	Joint venture to build and operate two plants to produce plastics.	$160-$200 million for partners (for construction)
HONEYWELL	1988	Joint venture to design and market process-control systems.	$4.5 million for 1988
IDG COMMUNICATIONS	1988	Joint venture to produce *PC World USSR* magazine in Soviet Union.	$500,000 a year
McDONALD'S CORPORATION	1988	Joint venture to open 20 restaurants in Moscow starting next year.	$60 million a year

members to exchange currency among themselves.

Several of the joint-venture restaurants that have been set up in Moscow operate on the same principle. Thus the Delhi, an Indian-Soviet joint venture, has two dining rooms: One sells for rubles, the other sells for hard currency—primarily to tourists.

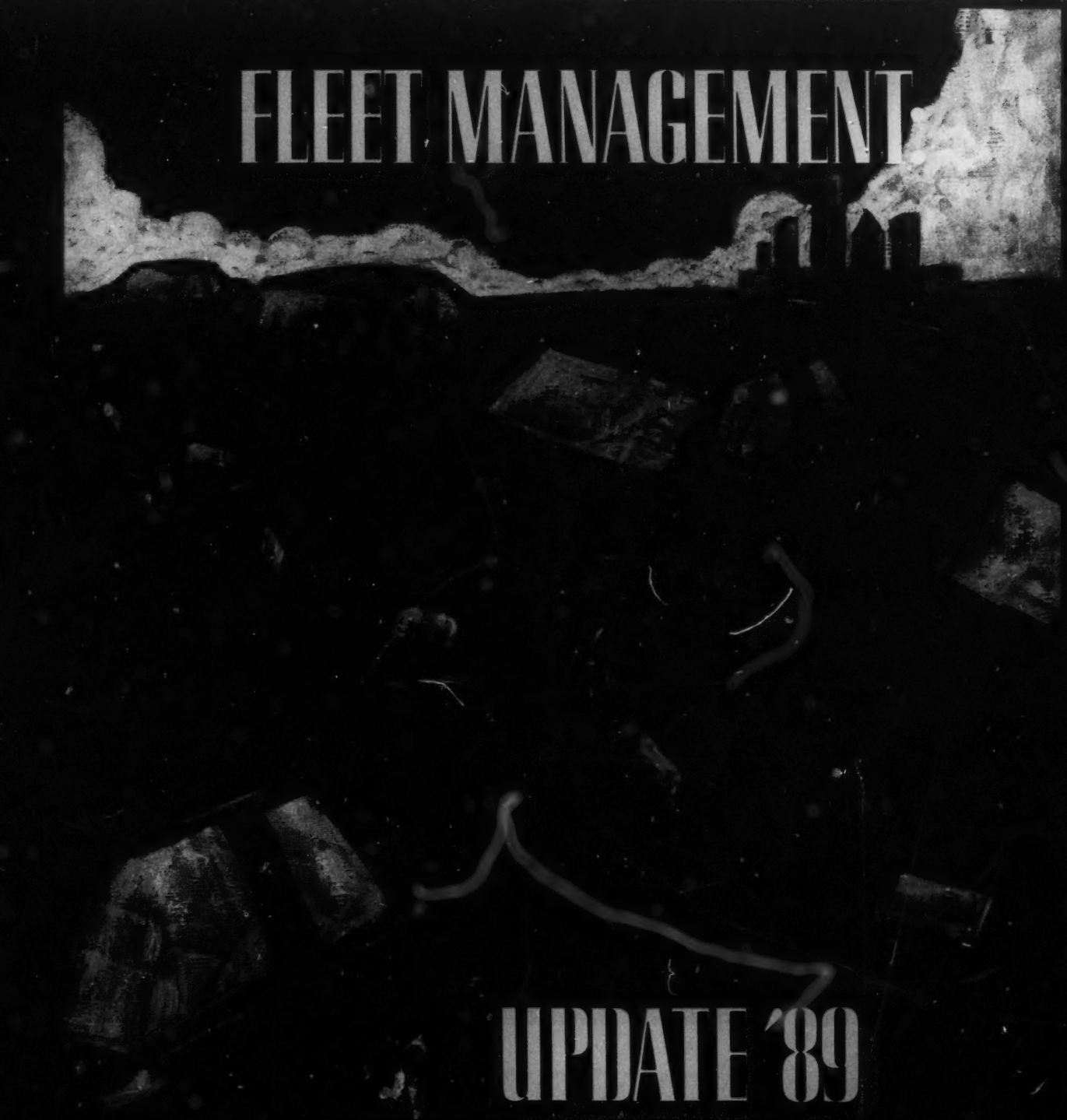
Obviously, there are limits to this kind of operation, particularly if joint ventures such as McDonald's of Canada open up several outlets. After a while, the number of joint-venture restaurants may exceed the number of tourists. Representatives of the McDonald's venture say, however, that they are looking to the long run and are prepared to accumulate rubles in exchange for market share in the hope that sooner or later the currency will become convertible.

Clearly, convertibility of the ruble would simplify the foreign-trade process and make possible a substantial increase in trade volume. Even without it, however, opportunities are available to resourceful (and, since raw materials constitute close to 80 percent of Soviet exports to the hard-currency world, that word is not chosen lightly) businessmen.

These opportunities reflect the hunger of both consumers and industry in the Soviet Union for access to foreign goods. But in the new enthusiasm over the prospects of trade with the Soviets, the United States should remember that some conservatives in the Soviet Union worry that too much contact with the outside world will be damaging. The KGB, for example, periodically singles out Western businessmen for what it considers to be needless prying into Soviet economic life. The most recent incident occurred in the spring of this year, when an American trader, L. Matthews, was found to be carrying a list of goods that the Ministry of Communications planned to import. Nothing happened to Matthews, but his Soviet contacts were each sentenced to three years in prison. Such opponents of trade bide their time in the expectation that Gorbachev, and with him *perestroika* and *glasnost*, will pass.

It would be reasonable to expect that under Gorbachev foreign economic activity would have increased to record levels. The fact that after a year and a half fewer than 60 joint ventures have been authorized by the Soviet Ministry of Finance suggests, however, that despite the considerable talk and expectation, results are still modest. A story making the rounds of Moscow illustrates this dichotomy. A visitor from Leningrad asks to see an eye doctor as well as an ear specialist. "Why do you need both?" his friend asks. "Because," he answers, "my ears hear what my eyes don't see." ■

FLEET MANAGEMENT



UPDATE '89

Fleets retain mid-sized, four-cylinder cars; computerize buying/selling functions to meet cost control challenge.

Surveys conducted by both Runzheimer International, the well-known management consultant/fleet specialist, and the National Association of Fleet Administrators (NAFA), find that acquisition cost is the number one vehicle selection criterion among fleet managers. Fortunately, acquisition and other fleet costs *are* controllable.

For example, companies can lease rather than purchase. Or they might decide to get out of the fleet business entirely and have employees provide their own cars, at a stipulated reimbursement rate.

As to engines, fuel-efficient, low cost fours are still the choice of fleet managers, though sixes are making inroads. With the inevitable rise of fuel prices a shift to larger engines isn't advisable. According to David Lefever, NAFA's Executive Director, "Our research indicates that fleet managers with 4-cylinder engines are going to stick with them, despite current low fuel prices."

Although today's fleet cars are somewhat diminished in dimensions and engine displacement, they now sport sure-start electronic fuel injection, corrosion-resistant aluminum/plastic radiators and, invariably, air conditioning. There's hardly a stripped car out there and for good reason: well-equipped cars consistently pay off when it's resale time.

As cars change, companies vary the types of vehicles they select. According to Runzheimer's Director of Consulting Services, Adlore Chaudier, "Businesses are changing their fleet composition to make up for the downsized cars so prevalent on market. For example, between 1985 and 1987, nearly three-fourths of survey respondents added minivans."

Vehicle selection is a refined process today, with fleet managers studying need, use and disposal methods, as well as computerized analyses of life-cycle costs. "The analysis of need and cost controls has led many companies to—surprisingly—restrict the assignment of management and executive level company cars," notes Chaudier. Runzheimer's data showed 19% of corporations with more than 500 cars reducing the size of its executive contingent. Many companies still permit some personal use of vehicles, but a significant number are cutting back.

For most companies, the largest fleet budget bite is for depreciation and interest; the bite amounted to 40.7% of fleet dollars in 1972 and chewed up 52.6% in 1987, according to Runzheimer.

Finally, at turn-in time, companies (or their lessors) can dispose of fleet vehicles to employees, at auctions, or through wholesalers and brokers; wherever the best deal is to be had. "Companies are usually anxious to sell cars to employees," says NAFA's Lefever. "It eliminates paying commissions and transporting the vehicles somewhere else to be sold. Also, if employees know they can buy the cars at a good price, they tend to take better care of them." Actually most vehicles are sold at the auction block.

One of the biggest contributors to fleet cost control has been the ubiquitous computer. Fleet managers routinely use computerized vehicle analyses to make cost-informed decisions that not only ensure the drivers get cars that do the job, but receive those cars that are evaluated as 'best buys' in a given category. Smaller companies that lack analytical resources can still turn to sophisticated leasing firms or fleet consultants like Runzheimer for current car cost and operating data. One thing is certain, today's fleet managers are buying sharper and disposing smarter. As well they might, under top-management's tightly focused magnifying glass! —*J.C.*

'89 Fleet Highlights: Aerostyled Cars Set Pace

The teardrop shaped, wind tunnel winners, Ford Taurus and Mercury Sable, set the pace for 1988 mid-sized car fleet sales. With subtle refinements and improved quality, they're expected to repeat in '89, though serious challenges are ahead when GM's 1990 "W" body models, such as the Chevrolet Lumina, are introduced in late 1989.

1989 Buick Century Custom Sedan

There are several new fleet offerings in the following listing, including Chrysler's step-up-from-compact pair, the Dodge Spirit and Plymouth Acclaim. Meanwhile, some effective metal bending gives a new look and extra 'legs' to fleet standys, such as the Chevrolet Celebrity and Buick Century. Four-cylinder engines remain the fleet administrators' preference, but sixes are making steady moves up.

"Buy American" is still the watchword for large commercial fleets. But patriotic fervor aside, quality, fit and finish of domestic cars—without exception—has improved dramatically over the past several years and Detroit is literally on a roll.

The '89 fleet choices allow any company to draw a balance between job requirement, driver satisfaction, image desired and budget.

BUICK

With the squared roof Century mid-size slumping slightly in '88, Buick expects to come bouncing back with a restyled model for '89. According to J.E. Pirtle, Director Fleet Sales, "The new Century had an excellent response from fleet administrators at the NAFA convention and we expect to recapture a lot of

SELECTED 1989 PROJECTED OWNERSHIP AND OPERATING COSTS

Make and Model[1]	Head Room	Leg Room	Luggage Capacity (Cubic Feet)	Curb Weight (Pounds)	Overall Length	Drive Unit	Cyl.	Displace (Liter)	Annual Costs[2] Operating	Fixed	Total
Cadillac Deville	39.3"	42.4"	16.1	3,437	196.5"	FWD	8	4.5	$1,780	$7,101	$8,881
Chevrolet Caprice CL	38.5	42.2	20.9	3,654	212.2	RWD	8	5.0	1,860	4,594	6,454
Olds Cutlass Ciera	38.6	42.1	15.8	2,733	190.3	FWD	6	3.8	1,590	4,626	6,216
Chevrolet Celebrity	38.6	42.1	16.2	2,765	188.3	FWD	6	2.8	1,550	4,545	6,095
Ford Taurus L	38.3	41.7	17.0	2,887	188.4	FWD	6	3.0	1,520	4,436	5,956
Ford Tempo GL	37.5	41.5	12.9	2,585	177.0	FWD	4	2.3	1,420	4,080	5,500
Chevrolet Cavalier	38.6	42.2	13.6	2,363	174.3	FWD	4	2.0	1,300	4,120	5,420
Dodge Caravan	37.6	34.9	125.0	3,063	175.9	FWD	4	2.2	1,530	3,771	5,301
Plymouth Reliant	38.6	42.2	15.0	2,408	178.6	FWD	4	2.2	1,300	3,917	5,217
Ford Escort GL	37.9	41.5	16.4	2,222	166.9	FWD	4	1.9	1,320	3,730	5,050

[1]All four-door vehicles similarly equipped including automatic transmission, power steering, power disc brakes, air conditioning, tinted glass, AM-FM stereo, body side molding, cruise control, and left-hand remote control mirror.

[2]Costs include operating expenses (fuel, oil, maintenance and tires), fixed expenses (insurance, depreciation, financing, taxes and licensing) and are based on a 36-month/60,000 miles retention cycle.

Source: Runzheimer International, Rochester, Wisconsin

lost business with this car." LeSabre, will continue to make inroads in the full size ranks, "right up there with Chrysler Park Avenue and Cadillac," according to Pirtle, while the luxury level Riviera regains its old flair with a facelift and a nearly foot-long stretch. Subcompact Skyhawk and compact Skylark round out the fleet offerings. Skylark, in fact, backs up a step and has been simplified for fleet use; viz. digital dash removed, bench front seat and

Buick's Pirtle: Our restyled Century will win back a lot of fleet business.

column mounted shift installed. The mid-sized Regal, introduced last year, has been primarily successful in the daily rental market.

Approximately 16% of Buick's production went to fleets in '88—about 90,000 units—and should hold at the same level for '89. Says Pirtle, "What you drive defines your image. Our higher initial cost is covered by the higher residual value of a Buick and you have a happier employee." Buick's '89 fleet program will guarantee the Century's value versus the best in class vehicle for a 3-year period. "We say we have quality, dependability and value and now we're putting our money where our mouth is," Pirtle notes. "At the end of three years, we guarantee to commercial accounts that the value of our Century will be equal to or better than the best in class, which is the Ford Taurus."

LINCOLN/MERCURY

The sleek mid-sized Sable is Lincoln-Mercury's fleet mainstay, with unit sales more than doubling from 1986's 21,000 to 48,000 for 1988. Fleet sales, including major commercial accounts, daily rentals and dealer leasing programs, accounted for nearly a third of the division's 660,000 units; an L/M record. The top sellers to commercial fleets are the Sable and compact Topaz. Choosing not to mess with success, Leasing and Fleet Sales Manager, Don Langefeld, notes that '89 models will basically be carryovers. "Aerodynamic styling and performance have been key

Lincoln-Mercury's Langefeld: With everyone improving styling and quality, the tie-breaker for fleets will be service.

1989 Sable LS

to our fleet acceptance, but with all manufacturers following suit, the winner will be the company with the best service; that's going to be the tie-breaker." As to quality, "You've got to have it to play in the fleet game, especially with more competition from the imports."

In addition to the base buy of Taurus/Sable, Lincoln-Mercury's primary fleet cars are the sub compact Tracer, Mercury Grand Marquise and Lincoln Town car; the latter especially strong in daily rentals. The eurostyled Continental got off to a fast start in '88 and should be in better supply for '89, ready to go to the top of company selector lists at the executive level, versus Cadillac et.al., while import Merkur Scorpio tackles Mercedes and BMW. The Cougar is all new for 1988 with V-8 engine discontinued, making do with an upgraded 3.8L V-6. It should show well as a daily rental.

CHEVROLET

More records fell, as Chevrolet saw car and truck fleet sales soar to 25% of total production. "It's only the third time in history we topped the half million mark [530,000 units] and see the fleet market continuing just as strong in '89" says L.G.

1989 Chevrolet Corsica Hatchback

Proctor, Manager-Field Operations, Fleet Sales. The big change was the slippage of Chevrolet's primary fleet car, the mid-sized Celebrity, to second place. Top seller is now the svelte Corsica, with some 89,000 units to fleets in '88, followed by the venerable Celebrity and the restyled, rejuvenated Cavalier subcompact which, says Proctor, "shows you what a little creative metalbending can do!" The Corsica adds a 4-door hatchback model for '89, while the Celebrity is a carryover, hanging in there until the Division's hope, the Lumina mid-size makes its debut in April, '89 as a 1990 model. Notes Proctor, "It's

The Toyota Fleet Perspective

The most important goal to Toyota is complete customer satisfaction. It's our ongoing commitment to satisfy you every step of the way. With over 1,000 Toyota Dealers nationwide, we are readily available to meet your parts, service and overall fleet needs. But it doesn't end there. With Toyota's new 36-mo./36,000-mile basic new vehicle limited warranty, your fleet's covered all the way from roof liner to lug nuts.* No deductible, no transfer fee, and a 5-yr./unlimited-mileage warranty on corrosion/perforation. For more personalized information, contact the Toyota Regional Fleet Manager nearest you.

NATIONAL FLEET DEPARTMENT
Toyota Motor Sales, U.S.A., Inc.
Don Esmond
(213) 618-4591

BOSTON REGIONAL OFFICE
J.D. Tibbetts
(617) 339-5701

CHICAGO REGIONAL OFFICE
Bill Kniewel
(312) 260-6240

CINCINNATI REGIONAL OFFICE
Chris Hahn
(513) 745-7500

DENVER REGIONAL OFFICE
Alan Musser
(303) 799-6776

GULF STATES TOYOTA, INC.
J.D. MacArthur
(713) 744-3300

KANSAS CITY REGIONAL OFFICE
Ron Henry
(816) 891-1000

LOS ANGELES REGIONAL OFFICE
Tom Maguire
(714) 833-8123

MID-ATLANTIC TOYOTA DISTRIBUTORS, INC.
Libby Marquardt
Toyota Building
(301) 760-1500

NEW YORK REGIONAL OFFICE
Gary McGriff
(201) 575-7600

PORTLAND REGIONAL OFFICE
Mark Wardell
(503) 255-6440

SAN FRANCISCO REGIONAL OFFICE
[illegible]

our second generation front wheel drive car; aerodynamic, but less 'jelly bean' than the Taurus/Sable and longer than the Celebrity. We're counting on it to be number one in commercial fleets." Rounding out Chevrolet's fleet cars is the heavyweight, full-size V-8 Caprice. The Monte Carlo is discontinued for 1989

The Astrovan made a strong contribution to fleet sales and the new C/K full-sized pickup "took off" according to Proctor, as the small S-10 pickup continued its winning ways. Says Proctor, "The Astrovan was built as a cargo van on a truck chassis and isn't a minivan." Strong with utility companies, the Astrovan will be joined by an all new APV—all purpose van—in 1989.

Chevrolet's Proctor: Car and truck fleet sales topped a half million units for only the third time in our history.

Big news is GM's bumper-to-bumper warranty. Says Proctor, "It gives fleet administrators what they've been looking for. Essentially coverage for the life of the vehicle, which for most companies is 36 months/50,000 miles before replacement." The basic terms of the warranty are 4 years/50,000 miles; the first 12,000 miles covered completely, the remainder, up to 50,000 miles, with $100 deductible.

FORD

Ford fleet sales accelerated sharply to new heights—430,000 cars and 95,000 trucks; 22% and 19% of total production, respectively. The mid-sized, streamlined Taurus accounted for more than 236,000 unit sales. Ford's leading car had some teething problems early on when it was introduced in 1986. "But that's all behind us now," says B.G. Willis, General Fleet, Leasing and Rental Manager, "the car is vastly improved and the overall fleet acceptance of our product line, especially Taurus and the compact Tempo is nothing short of tremendous. With more product available for fleets, we expect 5-6% sales boost and a full point share increase for '89" Willis' department has a successful program under way that places new cars with select major fleets who'll roll up the miles fast. "That way we're able to spot problems and keep small flaws from becoming major ones."

1989 Ford T-Bird

In addition to the leading Taurus and Tempo combination, Ford's '89 lineup has an all-new Thunderbird—strong in daily rentals, the sub-compact Escort, and the full-size perennial favorite, the Crown Victoria. Willis notes Ford is "Number one in the world with trucks, led by the F150, and the Aerostar van, stretched for '89 and offering dual rear doors, should have even greater fleet acceptance."

Interestingly, Ford notes the engine of choice in the Taurus is the V-6 by a fairly wide margin; bucking the trend to fours. As to leasing, Willis doesn't see a tremendous amount of switching from ownership, but feels "people are starting to understand the concept of leasing better; that is, you're buying only a percentage of the car's life." And Ford's success secret? Concludes Willis, "At Ford we have great confidence in our public to spot value and vote with their dollars; you might say the best got better!"

CADILLAC

The market for executive level/luxury fleet vehicles is a mere 100,000 units and Cadillac is fighting hard to keep its dominant share. "The luxury end isn't secure against imports; the senior staffer obviously has a more personal choice as opposed to, say, a field sales rep," says David P. John, Manager Fleet & Leasing. For 1989, the DeVille and Fleetwood models have been totally restyled, with longer wheelbases allowing additional rear legroom and 2.3 cu ft extra trunk space. The stretched Eldorado, Broughham, Seville and Allante sports model complete the line.

1989 Cadillac Sedan DeVille

Under the new tax laws and stockholder's scrutiny, luxury cars are not without their problems. Says John, "We have to overcome mindset against luxury cars for company use. They're wise investments because they're perceived at full value by the user, yet a $25,000 car may be costing the company only half that. It's really the best compensation and actually saves the company money."

Cadillac's John: The perceived value of luxury cars is far greater than their actual cost to a company.

According to John, Cadillac has carved itself a niche as an incentive, with direct sales companies. Mary Kay Cosmetics, for example, has offered pink Cadillacs to its top producers for more than 20 years with great success. "The Cadillac has become a key part of their marketing thrust," says John. Some 15% of Cadillac production is to the fleet market, of which the lion's share goes to daily rentals. "It's the best exposure for the product we could possibly have; a demo the customer pays for," John notes.

CHRYSLER

A strong force in fleets since the introduction of its compact K cars—Valiant and Reliant—Chrysler also reports a record '88 for fleets, moving over 400,000 cars and trucks. The momentum continues for '89, with initial orders from fleets up 35%, reports to H.L. Barton, General Manager, Fleet Operations.

Chrysler's Barton: The new 'Spirit' and 'Acclaim' complete our lineup, with initial '89 fleet orders up 35% overall.

New for '89, a step up from the K cars, and going head to head with Chevrolet's Corsica, are the Dodge Spirit and Plymouth Acclaim. "We have no gaps in our line and can fill any fleet need, with these new entries and the former AMC products now in the fold," Barton notes. The ex-AMC types include the 4wd Jeep line and the mid-sized Eagle Premier.

1989 Dodge Spirit

The fleet car lineup includes: Subcompact Horizon/Omni and Shadow/Sundance; rental favorites, the K cars

hanging in for another season, Dodge Dynasty—to compete against the likes Pontiac 6000, and new Spirit/Acclaim. New Yorker/Landau take aim at the luxury/executive niche.

On the truck side, Chrysler continues to sell all the Caravan and Voyager wagons it can make—125,000 to fleets, and new "Grand" stretched versions are online for 1989.

OLDSMOBILE

It was steady as she goes for Olds in '88, with 19% of production, 111,000 units, going to fleets. "We've always been considered a 'second level' car," says C.E. Dietrick, National Fleet Sales Director, "more for a district sales manager, as opposed to a salesman. We have more perk perception." The best-selling fleet car at Oldsmobile is the mid-sized Cutlass Ciera, which gets a restyling for '89 and hangs on until the Fall '89 introduction of the new W body for 1990, which will compete with Mercury's Sable.

Oldsmobile's Dietrick: Our more powerful 'Quad 4' engine is helping fleet managers keep drivers happy and costs down.

Other fleet offerings include the compact Cutlass Calais, replacing the Fierenza and offered in a 'value leader' model under $10,000, Cutlass Supreme, full-sized Delta 88 and 98. Dietrick sees more pressure on fleet administrators from drivers requesting 6-cylinder engines, but notes: "We're finding our new Quad 4 engine, with a lot more power, is one way to keep the drivers happy." He also sees some shift from ownership to leasing, as "companies are finding better ways to use their cash than tying it up with fleet cars."

1989 Oldsmobile Cutlass Ciera SL

PONTIAC

Not to be outdone by its GM counterparts, Pontiac also set an all-time fleet sales record in '88. According to J.L. Losch, Director, Fleet Sales, the Division moved more than 135,000 cars for an increase of 22% over '87. Stalwart of the commercial fleet line is the mid-sized 6000 (body a la the Chevrolet Celebrity, Buick Century, Olds Cutlass), which gets a major facelift for '89 and "will be around a few more years", says Losch. The W body, which made its first appearance in '88 as the two-door Grand Prix, more suitable for daily rentals, will emerge as a four-door in the 1990 model year and is expected to gain more commercial fleet business.

1989 Pontiac Bonneville SSE

Pontiac's complete fleet line includes the LeMans subcompact, popular compact Sunbird, the in-between Grand Am, mid-sized 6000 LE, sporty Grand Prix—Motor Trend's "Car of the Year" and full-sized Bonneville LE. The huge Safari wagon stay on as the Division's only rear wheel drive car. Pontiac will also roll out its first minivan in '89. The yet-to-be-named 1990 "APV" should help in Pontiac's quest for another banner year.

[redacted]

As a rule of thumb, big American companies buy American cars, period. There will be import incursions here and there, but nothing to make the fleet folks at the Big Three lose any sleep. Runzheimer, the people who keep track of such data, note that import content in U.S. fleets rose from 2% in 1982 to 7% in 1988. Not a big deal, but the beginning of a trend, perhaps?

Vehicle availability, a perennial problem with imports, is enroute to being solved as more "trans-plants"—U.S. assembly facilities—and co-venture plants come on line; e.g. the Ford/Nissan minivan plant in Avon Lake, Ohio, set to start cranking out product in 1991. All of which serve to blur the definition of "import" and make it easier for fleets with "buy American" policies to, well, buy *American*. These days, fleet administrators have to look beyond the nameplate as things aren't as they appear to be!

ISUZU

A relative newcomer, Isuzu nontheless has an active fleet program, looking forward to increased supplies via its new assembly plant in Lafayette, Indiana, set for September, 1989. "Meanwhile," says Fleet Manager, Harry Beyer, "we're pushing at the major leasing companies to get our products on their selector lists and in fact are now on the GE and PHH lists." From that point, of course, it's up to a company's fleet administrator to choose from Isuzu's popular one-ton pickup truck, 4-door sub-compact I Mark, or Trooper 4-wheel drive utility vehicle.

MAZDA

Mazda has consolidated its sales and marketing entities into one company, Mazda Motor of America, Inc. According to Richard Dennis, Manager, Fleet Sales, the company has upped its retail share of market to 2.5% from 1.7% and is going all out for fleet sales. Says Dennis, "Out of 900 dealers, we've signed 700 to our fleet program and offer a full year incentive program; a no-charge option package or cash off invoice." In September, 1990, Mazda will be assembling vehicles in Flat Rock, Michigan, allowing more product allocation to fleets. The '89 fleet lineup includes the subcompact 323, in the Ford Escort class, and the intermediate 626 model, to go against the likes of Chevrolet's Celebrity. The 929 luxury sedan is aimed for the executive suite. All Mazdas for '89 are front-wheel drive with fuel injected engines.

MITSUBISHI

While Mitsubishi's commercial fleet sales are slight, it now offers incentive programs ranging from $500 to $1,000 off dealer invoice for fleets; defined as five or more vehicles. Terrence Dempsey, Fleet Manager, notes that "deals have been struck with major rental companies, including Avis." Mitsubishi offers the Gallant and Mirange subcompacts, Sigma 4-door compact, minivan, 2 and 4-wheel drive pickup trucks.

NISSAN

After slumbering somewhat in the fleet market and concentrating on retail, Nissan is wide awake and geared for fleet business. According to James Watson, Fleet Manager, "We're getting a good reception from rental companies and fleets alike, thanks to increased incentives ranging $400 to $1,000. And for the first time, Nissan has made it onto major lessors' selector lists." In fact, Nissan is installing its Datanet system at GE Capital to expedite ordering and service. Fleet offerings for 1989 include the compact Sentra, made in Smyrna, Tennessee, along with light trucks, the executive-level 4-door Maxima and the intermediate Stanza. Says Watson, "The intermediate level is our real target. Stanza is a carryover for '89, but we'll make a lot of noise with a new '90 model!"

Toyota

Toyota is one of the more fleet-agressive imports, according to Fred Arnow, National Fleet Operations Manager, has been the number one imported fleet car for "the past several years, outselling both Honda and Nissan." Part of its success is management's commitment to allocate sufficient product to bonafide fleets, plus incentives. Toyota's primary fleet offerings are the 4-door sub-compact Corolla, to compete with Ford's Tempo/Topaz

1989 Toyota Corolla LE Sedan

and the almost-mid-sized Camry, which will soon be assembled in a new plant at Georgetown, Kentucky. Corollas are also domestically produced at the NUMMI plant (joint venture with GM) in Fremont, California. On the truck front, Toyota is selling all it can get and, according to Arnow, its small truck outsold the Ford Ranger in '86 and '87.

The Perennial Quandry: Lease or Own

The question whether to lease or own is one of the most important issues facing fleet managers. The advantages and disadvantages of the two options have been debated since the fleet industry began to develop and there is no definite right or wrong answer.

There are several well-known advantages to fleet leasing: it helps free capital that can be reinvested elsewhere; can lead to a reduction in administration costs; and can be arranged on short notice.

In addition, leasing companies can relieve a company from the responsibility for fleet administration. This may lower costs, especially for small and medium-sized fleets where the responsibility for fleet management is often assigned to the purchasing manager.

One of a leasing company's most valuable services is in replacement timing: replacing the car at the right time in its life and during the proper time of the year.

Most leasing companies offer additional services such as examining repairs for warranty claims against manufacturers, recommending cost reduction practices and procedures and licensing cars. Of course, the cost of these services plus a profit is included in the lease rate.

One fleet professional who has been on both sides of the lease versus buy argument is Wheels' Duane Berger. Before joining the leasing company, Berger was fleet manager for Cox Communications in Atlanta, Georgia. Although the fleet was 90 percent leased, he was responsible for a number of company-owned vehicles and explained why he prefers leasing. "By using a leasing company, a fleet manager is able to keep his staff to a minimum whereas in ownership, especially for a large fleet, a larger staff is required."

At Wheels, Berger is an even stronger advocate for leasing. "Some fleet managers feel that they will lose their jobs if the company switches from owning to leasing. But this isn't true. Even with all the services a leasing company can provide, they still need a decision maker."

Berger notes, "I have seen a definite shift from owning to leasing in the last two years alone. That is due primarily to the Tax Law of 1986. Many organizations are now turning to leasing companies and asking us to do a lease versus by financial comparison."

John T. Polk, V.P., Marketing at McCullagh Leasing feels that "the decision between leasing and financing has become tax motivated rather than financial, since the key ownership benefits have been removed by the new tax code; namely elimination of the ITC and lengthened depreciation." McCullagh routinely provides analyses for companies that compare leasing versus ownership situations before and after tax reform. Says Polk, "One of the most important services a leasing company can offer is to assist customers in wading through and deciphering IRS regulations to ensure they're being followed properly."

Speaking as a true lessor, Polk says, "We believe the economic advantages of ownership are uninvestigated myths in

McCullagh Leasing's Polk: The economic advantages of vehicle ownership are uninvestigated myths in light of tax changes.

light of tax changes." Backing its theory, McCullagh has developed a computer program that shows how new tax laws track through a company's return. "Any leasing company will do a depreciation analysis", he notes, "but you have to take it a step further and consider the effect of the Alternative Minimum Tax (AMT), which is a sleeping monster that two or three years down the line will dilute prior years' depreciation. A company has to consider its total tax position, of course, not just fleet vehicles. All we can do is point them in the right direction and make them aware of the potential effects at AMT." McCullagh sees its main growth coming from smaller fleets—under 500 units—and the roughly 40% of larger fleets who have traditionally owned vehicles. The remainder, of course form the natural tug-of-war arena for all major leasing companies, such as PHH, GE Capital Fleet Services, Lend Lease, Wheels, McCullagh Leasing, et.al.

One the Other Hand . . .

Leasing companies may not generally provide preventive maintenance or safety programs. They may or many not attempt to control fuel or tire costs, even though these dollars may represent half of the

1989 Pontiac 6000 LE

cost of operating the vehicles. Some companies claim that leasing reduces paperwork. Perhaps, but this feature should be carefully reviewed because such tasks as processing requisitions, verifying orders, reviewing and processing monthly leasing invoices and reviewing reconditioning charges could result in an even greater internal workload.

Under ownership, the fleet manager generally deals with and establishes a rapport with dealers. The introduction of a third party, the leasing company, breaks down that relationship and can cause additional clerical work and cost.

All leasing companies attempt to achieve savings in the areas of equipment acquisition and disposal. However, the lessee loses direction control over the prices the company is charged for new cars, for reconditioning and for used cars. The lessor also has an impersonal interest in the replacement of units. Frequently, fleet managers because of their direct interest, can obtain lower new car prices and higher prices for used cars than the leasing companies.

Most reputable leasing companies acknowledge that leasing is not always the best method to acquire fleet vehicles. For example, a firm may not wish to lease if:

—The firm has surplus capital which it cannot use profitably elsewhere in the business, or can borrow at very low rates.

—The company can secure new and used car prices equal to those obtained

1989 Oldsmobile Cutlass Calais SL

by leasing companies.

—Sales representatives are paid on commission without car reimbursement.

The Ownership Option

Many companies prefer to purchase vehicles because ownership offers more direct control of the fleet operation than possible through leasing. Owning is also a viable option if an organization has a capable fleet manager and adequate funding. Debbie Mize, fleet manager Hallmark Cards is a firm believer in fleet ownership. Hallmark owns all of its 1550 vehicles and has done so for many years. "I'm very partial to owning," she asserts, "because it is the company philosophy that I was trained in and has worked very well over for the years. But the element of control is my strongest argument for owning. I am completely in charge of purchasing, maintenance and used car marketing functions. A leasing company can't possibly know Hallmark's vehicle needs as well as I do." Other reasons why a company may elect to own include:

—Fleet dealerships and/or manufacturers are selected by the fleet manager. Under a leasing arrangement, the leasing company might link your organization with a dealer that will not provide satisfactory service.

—When disposing of purchased vehicles, the fleet manager is familiar with auctioneer or other seller, the price the seller is obtaining and the terms of the transaction. Under most leases, disposal is in the hands of the leasing company.

—While ownership carries with it a significant amount of paperwork, leasing produces its own sometimes more burdensome administrative workload. This is because, requisitions must still be processed, orders authorized, monthly leasing invoices reviewed and processed and reconditioning charges verified.

—Purchasing offers more financial flexibility than leasing. When a company takes a bank loan to purchase vehicles, several options are available: the loan can be paid back early, repayment can be varied or the credit term can be extended without penalties.

Ownership Stumbling Blocks

The biggest problem faced by a company-owned fleet operation is getting funding. What else is new? Normally, the department operating the fleet needs an appropriation from the Board of Directors before it can replace vehicles. Frequently, the Board finds better uses for the money, and vehicles aren't replaced when they should be.

Sometimes appropriations are made, but instructions are given that the expenditures be spread over the entire year.

Often, inexperienced management believes that keeping vehicles in service as long as possible reduces costs. This type of management fails to understand that as equipment ages, breakdowns, accidents, lost time and repairs, as well as fuel and oil consumption, all rise.

Any company considering full or partial fleet ownership, should consider the following checklist as a starting point:

- Is the fleet large enough to allow hiring either a professional administrator or a fleet management firm?
- Can the administration cost be justified by savings?
- Does the company have ample surplus capital to invest in the fleet, or a low borrowing interest rate?
- Will the cars operate at least 12,000 miles per year? (Below this mileage, employee reimbursement might be more practical.)
- Will cars be kept more than 12 months? (Most lease contracts are written for a minimum of 12 months.)
- Are high reimbursement rates being paid to sales personnel for the use of personal cars? (If so, ownership might be less costly.)

If your firm's fleet is large enough to obtain professional fleet management and also has a source of low cost capital, the company might consider owning its automobiles. If not, call a leasing company; bearing in mind that, ultimately, professional management with adequate cost controls can usually achieve substantial savings. —*L.M.*

Case in Point: Data Air Courier Rolls Its Own

"Time is of the essence in this job", explains Data Air Courier's Vice President, Administration, Sandra Klontz who, in her fleet manager capacity, oversees some 100 Chevrolet mini vans and several Celebrity wagons. The fleet transports tons of 'bank paper' cancelled checks and other financial documents with no intrinsic value, in 13 major metropolitan areas.

"Our fleet operation has to be on time, because we interface with the schedules of the commercial and charter air carriers that move bank documents from local branch banks to the Federal Reserve banks. We can't be late," she emphasizes.

Klontz is a believer in the Chevrolet line of mini vans. "We have the Astrovans exclusively," she says, "equipped with Chevy's heavy duty payload package. They get the job done and are much cheaper to operate than a heavier vehicle, say, a one ton van. All our vehicles are company owned; we have the cash and prefer to eliminate leasing company middlemen. Data Air Courier's vehicles are 'turned'—replaced—at approximately 18 months and/or 110,000 miles.

"Right now we're turning over the remainder of 1986/87 models, selling them with 110,000 to 120,000 miles. And we're getting a decent return, considering the high mileage, averaging 25% to 30% of the original price, despite the fact there's a glut of used vans on the market.

"The Astrovan with 6-cylinder engine has been an outstanding performer, a reliable van with minimal downtime. In our business, downtime is very detrimental,

1989 Chevrolet Astro

since the documents we transport affect the transmission of millions of dollars in bank funds;" says Klontz.

Reliability results from proper maintenance, which Data Air Courier, Inc. farms out to Consolidated Service Corporation, under a maintenance management program. Drivers carry a coupon book that allows them to get oil changes, filters and such at national account stores and participating Chevrolet dealers at specified mileage intervals, "Most important," notes Klontz, "the maintenance is recorded and traceable through exception reports provided by Consolidated. If a driver misses an oil change, we know about it here at headquarters."

Klontz reports directly to the president. "DAC's investment in vehicles of about $1.25 million is one of its larger corporate expenses. Obviously, that helps me access top management," she says. "and it makes my job visible. Anything that reduces the value of DAC's investment in the vehicle fleet, whether it be poor personnel choice, damage to the vehicles, maintenance problems, or selection of the wrong equipment, hurts us."

Klontz thinks fleet managers should stress the importance of the second hand vehicle buyer. "Managers should realize that the purchaser of a used vehicle is a retail buyer. Those buyers could go somewhere else to buy the lower priced, pre owned vehicle they're looking for. They don't have to come to us, or the brokers we sell our vehicles to. They buy

because we offer good values."

Klontz's background contributes to her success as DAC's fleet manager. Following a career with an insurance underwriter, she took a job with a car dealer in the Chicago area. "The boss came to me one day looking for ways to increase his fleet sales. One thing led to another, I started servicing fleet clients, and one of them, DAC, took me on as fleet administrator. It was a natural," she says.

In five years with DAC, Klontz has established a successful in house safety program, and is Vice Chairman of the Chicago chapter of the National Association of Fleet Administrators.

"NAFA is one of the best tools available to a fleet manager for networking and exchanging ideas, since many companies have fleets with similar problems. Through NAFA we can get together and find out how the other guys do it, how they best use their resources."

Klontz concludes with a bit of advice for both fleet administrators and top managers: "Communicate constantly with management," she urges. "and management, communicate with your fleet administrators to better understand their business. Together, you can conserve vital corporate assets and help your company grow." —*B.W.*

Case in Point: Matsushita's Economics Lesson

"There are several key areas of responsibility that concern a fleet administrator," according to Stanley Liebowitz, Fleet Manager for Matsushita Electric Corporation of America; parent of Panasonic, Technics and Quasar. "These are to select and acquire vehicles at the lowest possible cost, that meet all the job specifications; control operating costs for those vehicles; provide inexpensive temporary transportation for drivers when a vehicle is down; and dispose of the vehicles at the highest possible return. In short, follow the most cost effective courses of action."

When Liebowitz came from accounting to take over Matsushita's fleet department in 1981, the company operated 430 vehicles, via closed end lease. "One of our initial projects," says Liebowitz, "was to conduct a six-month study to determine if the leasing method was cost effective." The answer was a resounding "no", and the company changed to an open end lease, resulting in annual savings of more than a quarter million dollars. As Liebowitz explains: "In a closed end lease, the company is not responsible for the vehicle at the time of disposal, except for damages beyond normal wear and tear, and a penalty for any mileage above the contract limit.

"By comparison, in an open end lease, the difference between what Matsushita owes on the car and what the leasing company receives on its sale is credited or charged to our account. For example, if Matsushita owes $5000 for a vehicle which resells for $7000, that $2000 is credited to us. However, the reverse is also true. If we only receive $5000 for a car on which we owe $7000, then Matsushita has to pay the leasing company $2000 to clear the car. In other words, in open end leasing, we take the gamble; in closed end leasing, the leasing company takes the risk. But in doing so, it creates a large cushion to insure it does not lose on the sale of the vehicle. In our case, that cushion was so great that by changing the lease, gamble or not, Matsushita was still able to save over $250,000!"

TOP TEN FLEET LESSORS

(Cars & trucks, excluding rentals)

Rank	Lessor	Total Vehicles
1	GE Capital Fleet Services	420,000
2	PHH Avis (owned by PHH)	290,000
3	GE Capital Auto Lease, Inc.	193,000
4	Wheels	100,000
5	Lend Lease	85,000
6	McCullagh	80,000
7	ARI	75,000
8	LeasePlan USA	70,000
9	U.S. Fleet/Hertz	68,000
10	Security Pacific	51,000

Source: Automotive Fleet 1988 Fact Book

Seven years later, the Matsushita fleet has virtually doubled, to 850 vehicles; 780 passenger cars, the balance mini vans and light trucks. And leasing still best suits Matsushita's needs Liebowitz notes, "Owning simply wouldn't be practical for our company. I supervise a staff of two; if we owned the fleet, my staff would have to increase substantially to compensate for the work currently being handled by the leasing company."

But does that mean, as many in the industry fear, that leasing companies are eliminating the role of the fleet manager? Not according to Liebowitz, who asserts, "I manage the fleet with the leasing company's assistance. Their expertise comes into play during the acquisition period. With only 850 vehicles, I do not have the same buying power. Their total volume is such that they can negotiate better deals with the manufacturers. And their assistance at disposal time is also invaluable, as they visit different auctions, accepting the highest bids possible."

Matsushita's fleet currently consists of four and six cylinder cars, divided among the Big Three American carmakers. At this time, the company does not have plans to acquire foreign cars, due to availability problems and price concerns. "The American manufacturers offer fleet incentives that the imports do not," explains Liebowitz, "which can add up to significant savings."

Another area where Matsushita has cut costs is insurance. In 1986, the company paid $151 per car per year for physical damage. The following year, the insurance company was proposing an increase to $325. "I felt that $151 was on the low side, but $325 was ridiculous," notes Liebowitz. "After discussing the situation with our finance department, Matsushita decided to become self insured, taking on the responsibility of physical damage while the insurance company still handles liability. In 1987, we discovered, to our surprise, that while we had more accidents, the repair costs were lower than the previous year."

As for the future, the fleet department will put more emphasis on safety. For example, this fall, the company will implement a two week "Buckle Up" campaign. An informal survey will be conducted to determine the percentage of employees wearing seat belts. Then, with the cooperation of the New Jersey Safety Council, "The Convincer," a machine that descends on a ramp and stops suddenly at 10 mph, will go to work in the firm's lobby. "That jolt will give employees who take the ride a better idea of what it would be like to stop short at speeds of 30 mph or more," Liebowitz says.

Stan Liebowitz, fleet manager, Matsushita Electric Corporation of America.

The goal is to encourage employees to pledge to use seat belts every day for a two week period. "At the end of the two weeks, we hope that 'buckling up' will have become a habit. If the results are positive," says Liebowitz, "we will implement the idea to other Matsushita regions nationwide."

A NAFA Member, Liebowitz recently joined the Automobile Fleet and Leasing Association to obtain what he defines as "another perspective on fleet concerns." As he concludes, "the learning process is never ending; the field is always changing and the fleet manager must be flexible enough to change with it." —*L.M.*

A Symbiotic Situation

Fleet administrators and leasing companies: what roles should they play? How much responsibility should each have for the fleet function?

As part of their defense of company-ownership, many fleet managers argue

that their counterparts who lease will become lazy. After all, with a leasing company handling most of the fleet responsibilities, what is left for the fleet manager?

"Plenty," says Bob Wagner, Manager, Fleet Administration, for Eaton Corp., in Cleveland, and Membership Committee Chairman for NAFA. "Eaton uses leasing services, but they only handle certain fleet functions such as acquisition and ensuring that each vehicle is legally registered. I must still provide them with the vehicle specifications and handle maintenance and disposal."

"If fleet is only a small part of a manager's responsibility, i.e. the fleet manager is also the risk or purchasing manager, he can learn to rely quite heavily on the leasing company simply because he doesn't have time to concentrate on fleet. But when fleet is a full time job, the fleet manager's position is absolutely essential," Wagner concludes.

Pat Rishell, Auto Fleet Manager, Safeway Stores Inc., Oakland, California, agrees. "The fleet manager makes a leasing company's job easier, rather than the reverse," she says. "If Safeway didn't have a fleet manager, the leasing company would have to talk to 50 people to place one order. Instead, I talk to those 50 people and the leasing company talks to me. This is true in most cases since all order processing must go through the fleet manager. In short, fleet administrators are indispensable middlemen."

While advocates of the fleet "purchase" argue that owning allows for tighter control and organization of the fleet, others, like Lorillard's Fleet Manager Sal Giacchi believe that control can still be maintained even when leasing. Responsibility for Giacchi's 1200 vehicles is divided between two leasing companies, but Giacchi still requires the services of three additional full-time staff members. "A leasing company is an extension of your staff, but can't take the place of employees who are familiar with the company's day to day problems. I inform the leasing companies of my needs and then monitor their functions. In the final analysis; I'm responsible for what works and what doesn't."

"Leasing companies need fleet managers just as much as fleet managers need leasing companies," according to Connie Wesley, manager of fleet operations at Honeywell in Minneapolis. "We need their help because they cut the company's overhead; we don't need as many people at Honeywell since the leasing company does some of the work those people would normally do. But fleet managers set policies and procedures."

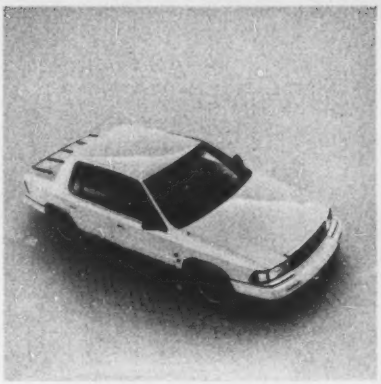
To work more efficiently, a sense of trust and satisfaction with the leasing company is also necessary. Fleet managers must feel comfortable with the leasing

1989 Ford Aerostar

company or companies they choose; they must have a strong sense that they are receiving the best service available.

"When choosing a leasing company," says Wesley, "we take an extensive look into their resale history to determine if they get the top dollar for used cars."

Another important factor she mentions is a leasing company's degree of automation. "If records are kept manually and a fleet manager is not able to obtain up-to-date computer read-outs of vital vehicle statistics, it does not bode well. Any leasing company that Honeywell does business with must fit into our general corporate structure and system."



1989 Plymouth Acclaim

Some fleet managers only feel comfortable dealing with just one leasing company, while others believe that working with several guarantees competitive prices. "Dealing with one company allows me to make better arrangements and save more money than if I were dealing with several," says Rishell.

Wesley believes just the opposite, "We use two leasing companies to get the best deal possible. With bids coming from both companies, we can compare them and ensure that each one is fair. This improves our position at negotiation time since we'll also have the competitor's bid."

Wagner agrees: "Two is the magic number. Using three of four companies makes administration difficult, but by using and comparing two, the fleet manager can immediately spot weaknesses in service levels." Summing up, the presence of a leasing company doesn't negate the need for a fleet manager. In fact, they can ideally complement each another and ultimately contribute to more cost-effective fleet operations. —*L.M.*

INFORMATION, PLEASE

1989 Automotive Guide Books Facts, figures and fleet recommendations available from major lessors, including:

- ARI, Inc., 444 W. New Kings Hwy., Maple Shade, NJ 08052
- Avis Car Leasing, PO Box 117, Carle Place, NY 11514
- GE Capital Fleet Services, 3 Geico Dr., Eden Prairie, MN 55344
- PHH, PO Box 2174, Baltimore, MD 21203
- McCullagh Leasing, 30803 Little Mack Ave., Roseville, MI 48066
- U.S. Fleet Leasing, Inc. (Licensee of Hertz System), PO Box 5933, San Mateo, CA 94402
- Wheels, Inc., 666 Garland Place, Des Plaines, IL 60016

Runzheimer Reports 555 Skokie Blvd., Suite 340, Northbrook, IL 60062; (312) 291-9011.

- *Transportation Report*—Monthly newsletter on car/fleet management ($247/year).
- *Fleet Maintenance & Safety*—Monthly technical newsletter for fleet managers ($96/year).
- *Cars and Living Costs* Informative, *free* monthly report.
- *1987/88 Survey and Anaysis of Business Car Policies and Costs* Invaluable to track trends and compare your company's fleet costs ($356/copy).
- *Travel Management* Monthly newsletter focuses on control of rising travel costs ($295/year).
- *Computerizing Fleet Management* A Succinct how-to for fleet executives (#100 @$49.95/copy).

National Association of Fleet Administrators (NAFA) 120 Wood Ave. South, Iselin, NJ 08830; (201) 494-8100.

NAFA Fleet Manager's Manual Everything you need to know about cost-effective company fleet operation. Includes acquisition, expense control maintenance, safety, vehicle disposal and more (Non-members $125/copy; members $35).

Credits: This special advertising section was prepared by *The Advertorial Advantage*, New York. Editor: John F. Carroll. Writers: Lori McDonough, Bill Wagstaff. Design: Jennifer Coon.